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An act to amend Section 10441 of the Welfare and Institutions Code,
relating to childcare.

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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 10441 of the Welfare and Institutions Code is amended to read:

10441. (a) ~~All child~~ Child development contractors are encouraged to develop and maintain a reserve within the child development fund, derived from earned but unexpended funds. Child development contractors may retain all earned funds. For purposes of this section, “earned funds” ~~are those~~ means those funds for which the required number of eligible service units have been provided.

(b) (1) Earned funds shall not be expended for activities proscribed by Section 10398. Earned but unexpended funds shall remain in the contractor’s reserve account within the child development fund and shall be expended only by direct service child development programs that are funded under contract with the department.

(2) ~~Commencing July 1, 2011, a~~ A contractor may retain a reserve fund balance, separate from the reserve fund retained pursuant to subdivision (c) or (d), equal to 15 percent of the sum of the maximum reimbursable amounts of all contracts to which the contractor is a party, or two thousand dollars (\$2,000), whichever is greater. This subparagraph applies to direct service child development contracting agencies that are funded under contract with the department.

(c) Notwithstanding subdivisions (a) and (b), a contractor may retain a reserve fund balance for a resource and referral program, separate from the balance retained pursuant to subdivision (b) or (d), not to exceed 3 percent of the contract amount. Funds from this reserve account may be expended only by resource and referral programs that are funded under contract with the department.

(d) Notwithstanding subdivisions (a) and (b), a contractor may retain a reserve fund balance for alternative payment model and certificate ~~child care~~ childcare contracts, separate from the reserve fund retained pursuant to subdivisions (b) and (c). Funds from this reserve account may be expended only by alternative payment model and certificate ~~child care~~ childcare programs that are funded under contract with the department. The reserve amount allowed by this subdivision ~~may~~ shall not exceed either of the following, whichever is greater:

(1) ~~Two-Eight~~ Eight percent of the sum of the parts of each contract to which that contractor is a party that is allowed for administration pursuant to Section 10302 and that is allowed for supportive services pursuant to the ~~provisions of the~~ contract.

(2) One thousand dollars (\$1,000).

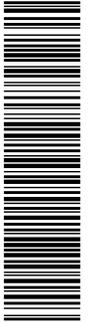
(e) Each contractor’s audit shall identify any funds earned by the contractor for each contract through the provision of contracted services in excess of funds expended.

(f) Any interest earned on reserve funds shall be included in the fund balance of the reserve. This reserve fund shall be maintained in an interest-bearing account.

(g) Moneys in a contractor’s reserve fund may be used only for expenses that are reasonable and necessary costs as defined in subdivision (n) of Section 10213.5.

(h) Any reserve fund balance in excess of the amount authorized pursuant to subdivisions (b), (c), and (d) shall be returned to the department pursuant to procedures established by the department.

(i) Upon termination of all child development contracts between a contractor and the department, all moneys in a contractor’s reserve fund shall be returned to the department pursuant to procedures established by the department.



(j) Expenditures from, additions to, and balances in, the reserve fund shall be included in the contracting agency's annual financial statements and audit.

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, _____.
General Subject: Childcare services: reserve funds.

The Child Care and Development Services Act, administered by the State Department of Social Services, establishes a system of childcare and development services for children up to 13 years of age. Existing law requires the department to contract with local contracting agencies for alternative payment programs for childcare services to be provided throughout the state. The act authorizes a contractor to retain a reserve fund balance for alternative payment model and certificate childcare contracts, as provided. The act prohibits these funds from exceeding either 2% of the sum of the parts of each contract, as provided, or \$1,000, whichever is greater.

This bill would instead prohibit the funds from exceeding either 8% of the sum of the parts of each contract, as provided, or \$1,000, whichever is greater.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

